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Internationalization Strategy: Altis Hotels in Angola

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1. Executive Summary

The Group Altis Hotels, founded in the early 70's, is nowadays one of the biggest hotel groups operating in Lisbon with a total of six hotel facilities. Over the years, the group has been consolidating its brand with new and innovative hotels leading the company to a maturity stage. Having gained sufficient know-how on how to run city hotels, the group decided to embark on a new venture: Internationalization. Angola was defined by the group as a priority destination and the viability of this project is what will be discussed. At first, an analysis of the group's operations in Portugal and the possible competitive advantages built in the domestic market will be provided. Secondly, a macro-environmental context of the host country, followed by Atis SWOT and TOWS in Angola are presented. As mentioned above, the group defines itself as a city hotels brand and so Luanda was one the most suitable choices, given the high growth of Angola and a detected gap between demand and supply in their hospitality industry. A competitive assessment was then performed based on own research given the absolute lack of published data to better understand what gap needed to be filled in this market. Finally, an implementation plan was proposed.

Keywords: Altis Hotels, Internationalization, Hospitality, Angola

2. Glossary

GDP – Gross domestic product

AOR – Average occupancy rate

ARR – Average rate room

revPAR – revenue per available room

FCP – Futebol Clube do Porto

PS – Partido Socialista

MINHOTUR – Ministry of Hospitality and Tourism of Angola

EHR – Escola de Hotelaria e Restauração

FSDEA – Fundo Soberano de Angola

FDI – Foreign Direct Investment

JV – Joint-Venture

3. Description of firm and Industry Analysis

Created in 1973, the first hotel of the Group, Hotel Altis, was the starting point of one of the most renowned Lisbon hotel groups[i]. After realizing the existing gap in the Portuguese luxury hotels market at that time, Fernando Martins decided to enter the hotel industry putting aside his initial plan: to build an office building. With a unique atmosphere, the hotel was, in its opening day, headline in every newspaper and television in Portugal due to its innovative concept of a business hotel. Since then, five other hotels joined the portfolio. Different from one another they all have something in common: all of them were very innovative at the time of its opening. The group proudly uses “**A Alma de Lisboa**” as its signature, not only because they feel a deep knowledge of the city but also because of its many associations with initiatives happening in Lisbon. Since its opening, the business has been kept in a familiar sphere: it is still managed by its founder Fernando Martins and his children and, as we were able to understand, this is how they want to remain in the future.

In order to assess Altis’ competitiveness, we need to take a look at the Portuguese hospitality industry. If we take a look at the total contribution of Travel and Tourism to GDP, we can see that there was a steady increase since 2009 and it was expected to continue growing to 15,4% in 2012 and by 2022 to rise to 15,7% of GDP[ii]. International tourist arrivals is also growing with estimates of 12,4 million visitors in 2012 and 14,6 million in 2022[iii]. The number of hospitality units is also increasing: in 2010 it represented 1416 for a total of 116 541 accommodation units and in 2011 it increased to 1508 hospitality units for a total of 119 000 accommodation units[iv]. Looking at their classification, 34% of these hospitality units in 2010 were four-star and only 7% were five-star. Data from 2011 indicate an increase in 4-star units, representing now 35% of all and a value that remained constant for five-star hotels. Even though it seems the market is growing we need to take a look at average occupancy rates (AOR), average rate room (ARR) and revenues per available room (revPAR). Below are indicators for Lisbon hotels and for Altis Hotels *(App.1: Data from Portugal).*

Table 1: AOR, ARR and revPAR for Lisbon

	2006	2007	2008	2009	2010	2011	2012
All							
AOR	68,96%	75,70%	69,54%	60,34%	65,32%	66,76%	68,71%
ARR	77,87€	83,68€	81,87€	79,09€	78,12€	79,43€	74,90€
revPAR	53,70€	66,35€	56,93€	47,72€	51,03€	53,02€	51,46€
Four stars							
AOR	70,45%	76,58%	70,81%	64,07%	68,92%	68,69%	70,39%
ARR	63,61€	70,13€	73,31€	69,77€	68,44€	69,37€	64,76€
revPAR	44,81€	53,71€	51,91€	44,70€	47,17€	47,65€	45,58€
Five stars							
AOR	59,85%	65,27%	54,12%	43,70%	51,61%	56,77%	60,37%
ARR	132,30€	156,82€	155,29€	139,93€	135,49€	142,26€	129,70€
revPAR	79,18€	102,35€	84,05€	61,16€	69,92€	80,76€	78,29€

Source: Hotel Monitor

Table 2: AOR, ARR and revPAR for Altis Hotels

	2009	2010	2011	2012
Hotel Altis (5*)				
AOR	30,85%	41,3%	38,5%	55,2%
ARR	87,85€	71,8€	85€	78,4€
revPAR	22,83€	29,6€	32,8€	43,3€
Altis Park Hotel (4*)				
AOR	40,04%	51,7%	47,8%	59,5%
ARR	51,06€	48,7€	52,6€	44,8€
revPAR	N/A	25,2€	25,1€	26,7€
Altis Suites (4*)				
AOR	42,17%	47,5%	57,8%	69,9%
ARR	126,97€	109,4€	98,8€	93,2€
revPAR	43,39€	52€	57,2€	65,1€
Altis Belém (5*)				
AOR	17,62%	54,3%	55,9%	63%
ARR	181,53€	160,8€	177,3€	181€
revPAR	7,93€	87,3€	99,1€	114,1€
Altis Avenida (5*)				
AOR	N/A	43,6%	64,6%	70%
ARR	N/A	109,8€	110€	121,9€
revPAR	N/A	47,8€	71,1€	85,3€
Altis Prime (4*)				
AOR	N/A	30,6%	48,5%	63,2%

ARR	N/A	98,5€	128,7€	91,5€
revPAR	N/A	30,1€	62,5€	57,8€
Altis Hotels				
AOR	N/A	46,6%	46,8%	59,8%
ARR	N/A	73,3€	86€	79,1€
revPAR	N/A	34,1€	40,3€	47,3€

Source: Altis Hotels

If we take a look at AOR, we can see that Altis seems to be below the average in Lisbon, at the exception of Altis Avenida that scores higher values in its few years of operation. If we compare it with data from the entire country *(App. 1)*, we can see that Altis is a bit above the average with AOR slightly higher than the average in Portugal. Regarding revPAR, results are somewhat balanced in Lisbon with some hotels having values below competition (Hotel Altis, Altis Park Hotel or Altis Avenida) and other having results above competition (Altis Suites, Altis Belém or Altis Prime). In Portugal though, results show that Altis is above the average regarding its revPAR. If we take a look at Altis results from 2009 until 2012 we can conclude that even though it could have had higher AOR and revPAR in comparison with others hotels in Lisbon, values have been increasing year after year both AOR and revPAR. In 2011, the group was able to increase its revenues in 15% to 18,5 miilion euros from the 16 million eaned in revenues the previous year. In 2012, overall revenues are expected to reach 20 million euros. According to Francisco Moser, General Manager of Operations this is due to a more aggressive commercial strategy *(App. 11)*. After a thorough analysis of the group, **the only competitive advantage found in Altis that differentiate this chain from others to internationalize regards its intangible resources**. The main source of advantage, its strong relations to large Portuguese entities like the PS or FCP, among others, is definitely something with value for the company, rare, non imitable and embedded in the organization however it cannot be easily replicated abroad. Its degree of innovation, on the other hand can be replicated abroad. The exquisite location of its hotels could also be considered as a valuable asset, however competitors are very close by so it is not exactly rare or non imitable. The quality of its service was defined by the group as a competitive advantage when interviewed. Nevertheless, after having taken a look at satisfaction questionnaires in the hotel and comments in Booking and Tripadvisor one would argue that this is not a competitive advantage. Comments and questionnaires from April until August 2012 in Hotel Altis indicate that from 921 questionnaires and comments 562 were negative, representing 61%. For Hotel Altis Prime, from 350 questionnaires and comments 162 were negative representing 46,3% and for Altis Suites, from 241 questionnaires and comments, 87 were negative representing 36%. Even though customers seem to have made positive comments about staff, they are also making very negative comments about cleaning and housekeeping for instance that are also part of staff and the infrastructure itself such as the room and bathrooms. **The absence of a clearly defined vision and mission statement and corporate values reflect the strategic fragility of a medium/long term planning of the company.** Given what we have learned about the company a mission statement that could be adopted by the company was thought: "Altis Hotels aims to deliver to its guests a unique city experience with the best quality provided through a service of excellence and supported by years of experience and knowledge of the city." With six hotels very different from one another, the group's strategy relies on attracting different types of customers. According to Ruben Paula, General Manager of Hotel Altis, Altis Suites and Altis Prime the group's facilities form a collection like for example the group Accor has with Ibis, Mercure, Novotel and Sofitel. One would argue that such a comparison cannot be made because the group Accor has different brands with different names that operate completely independent from each other, making almost impossible for the consumer to perceive that all brands belong to the same group. With group Altis, the scenario is different because hotels operate all together and the consumer knows that all belong to the same group. This seems to be a risky strategy as it may turn out to result in a lack of cohesion from the consumer's perspective. Regarding the strategic objectives for the next four to five years, two were identified: to grow 32% in sales and increase margins from 25% to 35% by increasing occupation and revPAR. For more information about Altis chain competitive analysis in Portugal, in appendix can be found the company's portfolio of hotels, VRIO Framework, Industry Mapping, Value Chain, Competitors, Porter Five Forces, SWOT and TOWS matrix *(App.2-11)*.

4. Criteria of Country Selection: PESTEL Analysis

Angola, officially the Republic of Angola, located in the South of Africa is the 7th biggest country in Africa and the 23rd in the world with a total superficy of 1,246,700 square kilometers. (*App. 12: Small Introduction of the Country)* **It presents a huge potential especially for Portuguese investors for various reasons**. Most of the goods and services in the country are imported and because of the strong cultural ties, Portugal leads Angola imports with 16% of imported goods from the country in 2012. In fact, the tag "Made in Portugal" is very successful in the country: the olive oil is "Gallo", the wine is "Esporão" and clothing are from" Sacoor" or "Salsa"[v]. This is a very important fact because it shows the acceptance and recognition Angolans have over Portuguese products that Altis, as a Portuguese service provider, can benefit from. Luanda, the city analyzed for Altis' internationalization, is the capital of the country and the biggest city of Angola. Located in the Atlantic Coast, Luanda is both Angola's chief seaport and its administrative center[vi]. It has a metropolitan population of around five million inhabitants and was considered in 2012 the second most expensive city in the world for expatriates, right after Tokyo in Japan[vii]. Being the capital, Luanda is the most developed city in the hospitality sector and the one that receives more tourists and expatriates. It had a total of 88 thousand employees in the hospitality industry in 2008 and was the city in Angola with the highest revenues in its hospitality units with 31 billion Kwanzas earned for a total of 34 billion Kwanzas earned countrywide in that same year. Finally, it is also the city with the highest number of hospitality units with 1033 with a total of 2541 in the entire country[viii].

A resumed PESTEL analysis will now be discussed, a more detailed analysis can be found in App. 13.

Political Factors: For the past ten years, the country has met political stability as President José Eduardo dos Santos, ruling since 1979, recognizes it and considers it a priority to maintain in his actual mandate. His efforts to convey peace to a nation truly damaged by war seem to be paying off and of course the fact that he has the country's elite by his side indicate his party's dominant position in the future.

Economical Factors: Many countries in Africa have been growing at considerable rates but none has grown as much as Angola in the past ten **years with an average growth rate of 11,1%**[ix]. In 2007 alone, GDP growth was around 21%. However, no country was unaffected by the global recession and in 2009 GDP growth rate decreased to a mere 2,4% and in 2010 increased to a rate of 3,4%. With regards to its transport system, much of the infrastructure was destroyed during war but efforts are being employed in this field. Angola has 30 airports with paved runways, railways with 2 764 km, water ways covering 1300 km and from its 51 429 km of highways, only 5349 km are paved[x].

Social Factors: Angola is one of the biggest countries in Africa but its population stands only at 18 million. Estimates for 2012 however indicate that population is growing at a considerable rate (2,78%)[xi]. Angola has an impressively young population:

according to estimates for 2012, the average age of Angolans is 17,7 years in which for men it is 17,5 years and for women it is 17,9 years[xii].

Technological Factors: According to the Global Competitiveness Report 2011-2012 of the World Economic Forum, Angolan ranks 129th out of 142 countries in technological readiness meaning that there are still some inefficiencies in this field. Regarding its communications systems, only 303 200 telephone lines were reported in 2009 but more than eight million cellular lines were reported in that same year.

Environmental Factors: Concern over environmental issues in Angola is growing due to the fact that the country is still in a phase of reconstruction and resources may not have been used in its optimal way. The country ratified the United Nations Framework Convention on Climate Change in 2000 and signed the Kyoto Protocol. The ministry of Environment was created in 2008 and from that day, this is the entity responsible for coordinating and elaborating environmental policies regarding biodiversity, environmental education, among others.

Legal Factors: According to the World Bank and the International Finance Corporation, the country ranks 172th in doing a business out of 185 countries for 2013[xiii]. Since last year, the country had a positive change of two points in this ranking but still some considerations have to be taken into account when entering the country.

5. SWOT Analysis of Altis in Angola

The SWOT and TOWS analysis, complementary to the Porter analysis *(App. 14),* are another strategic tool to highlight the possible strategic policies that the enterprise can follow to overcome its internal weaknesses and external threats by making best use of its strengths and market opportunities.

Strengths: Angola has a vast diversity of natural resources that entices investment: **not only the country has reserves of oil, gas and diamonds** but also an enormous agriculture land mass. Economic performance is also a major strength for the country as the investor knows that if the investment has the objective of responding to an identified need it has all the conditions for it to work. Focusing on the capital, Luanda gathers all characteristics of a city with great development potential. Numerous buildings are being constructed and many restaurants and bars are opening serving the most sophisticated dishes of both national and international cuisine boosting inbound tourism. Moreover, tourists in the country have been increasing exponentially since 2006 and the Ministry of Hospitality and Tourism (MINHOTUR) expects that the **growth of international arrivals in the country from 2011 to 2014 averages 7,3% exceeding the global average of 4%**[xiv]**.** Finally, even though tourism in the country nowadays is more business related, the country can become a destination for leisure: Angola has a warm temperature (average:25,1ºC), 1650 km of coastline and sandy-beaches. Finally, literature has shown that being part of an international group increases efficiency in Luanda hotels: Altis, being a Portuguese group can benefit from this assumption[xv].

Weaknesses: Even though the government has been making some efforts to diversify its economy, Angola is still overly dependent on its oil&gas sector as it represents 50% of it GDP. As we have seen, in 2009, the country had a GDP record low growth rate due to quota limitations of 1.9 million barrel/day made by OPEC. As mentioned before, the infrastructure in the country is still very poor and so getting around Angola is extremely difficult because most roads are not paved. Moreover, there are still some land mined areas, so renting a car and driving without an experienced driver is not an option[xvi]. Power and water cuts are also very common in Luanda ending up preventing online bookings as an example. Indeed most bookings are made over the phone because the internet reception is not well spread around the country[xvii]. During the 27-year civil war that affected the country, education was not exactly a priority for government which led to a low-qualified population in almost all sectors. The hospitality industry is one of the industries affected by this problem as well. Another weakness of this sector is its high operational costs mainly water and electricity and costs related to logistics and maintenance, which makes the final product (one night at a hotel) very expensive.

Opportunities: From the research made, there seems to be a mismatch between demand and supply of hotel facilities which makes the few existent ones have high occupancy rates of 90% on average[xviii]. This is definitely a major chance for any hotel investment because there is a definite need in the market. In addition, even though people in this industry in Angola are not very skilled and qualified, the first hospitality school (EHR) started lecturing hospitality management and tourism technical courses in 2010. Moreover, in October 2012, the government launched the Fundo Soberano de Angola (FSDEA), **a $5 billion Sovereign Wealth Fund which will target firstly at investments in the infrastructure and hospitality sector**[xix]. Focusing on the hospitality sector, the government wishes to resolve the undersupply of hotels existent in Angola but also boost local talent by creating an Angolan Hotel School that can become the leading hospitality training establishment in Africa[xx]. The common energy problems in the country are also expected to be solved by 2015 or 2016 as the country announced in 2010 an $18 billion plan that could help Angola produce over 4000 megawatts of electricity[xxi]. Finally, the recent agreement signed between the Portuguese government and Angola to facilitate obtaining visas will foster mobility between the two countries. This is a very important fact because the number one nationality entering the country is Portugal and with this agreement even more Portuguese will enter the country in the coming years.

Threats: The lack of transparency and corruption is still present in such a country and may impede a successful stay in this market: according to the 2012 Corruption

Perceptions Index made by Transparency International Angola has a score of 22 in a scale that goes from 0 to 100 where 0 is highly corrupt and 10 is very clean and ranks 157 in 176 countries[xxii]. The rent seeking behavior of some national politicians definitely constitutes a threat for foreign investors in this industry: the latter is generally asked to give part of the stock to the former without money counterpart and the cost of an authorization to settle in the country[xxiii]. In addition, because of this market's high attractiveness, many 4 and 5 star-hotels will open in the next three years. Both Portuguese hotel chains like Grupo Amorim Turismo or Pestana and international chains like Starwood, Rezidor or InterContiental will definitely constitute a threat for Altis. With regards to the International classification standards in the hospitality industry it seems to be a complex process in Angola and different from any other activity. However, the government is also studying ways to flexible the national property right system[xxiv].

6. TOWS Analysis

SO: As mentioned above, the major tourist inflow comes from Portugal and this is a very important factor for Altis **because it can benefit from the reputation it has gained in the domestic market.** Because the Portuguese going there know this brand and see it has a credible one, they are more enticed to stay there. The Angolan visa facilitation to Portuguese entrances will most certainly increase the potential of Altis's growth as it is analyzed in the Porter Five Forces Model.

ST: As mentioned, competition will get fiercer in the coming years. As such Altis should try to understand how these hotels are segmented and focus on the one where it can have better gains. Because there is undersupply of hotels, Altis can easily find a niche market and introduce an innovative product. In order to face corruption, Altis has to understand also the different modes of entry in the country, and, as it will be explained further on, focus on the one that guarantees less risk.

WT: In order to face a low-skilled labor population, Altis definitely has to focus on training. The company has a manual of operating standards that we could not have access to but given the questionnaires results, it seems that the efficacy of training abroad could be jeopardized. As such, Altis should first focus on defining a set of standardized procedures that can then be replicated abroad.

WO: By internationalizing to Angola, Altis immediately eliminates one if its biggest weakness: their limited presence in Lisbon. Finally, even though training procedures are not standardized and this industry is not known in Angola for having high-skilled labour, training will be easier than in other countries because languages are the same in both countries and because **Altis can count with a young population**, eager to work and to learn. The opening of the first hospitality school in the country will also prepare better future Altis's employees.

7. Competitive Analysis for the Enterprise in the Market of Destiny

Data from 2012 indicate that there are now 145 hotels in the country but many are yet to come. Given this increase in supply, there are now 7 602 rooms in Angola[xxv]. Of these 145 hotels, I tried to find some sort of study or report that could reveal how many were there in Luanda. Because this turned out to be impossible, I conducted a research of my own to try to find out how many hotels and guesthouses were there, their rating (if possible) and their distance to the center of Luanda. As such, I am certain that there are in fact more hotels and guesthouses than the ones I found but I assumed that those missing do not represent a threat to Altis because most certainly they are one and two-star hotels with no website and not present in the web. In the table below, you can see the hotels and guesthouses I found according to their rating. From the research I conducted, there are nowadays in Luanda 21 guesthouses, two apartment hotels and 50 hotels. From these 50 hotels, three are 1-star hotels, seven are 2-star hotels, 15 are 3-star hotels, eight are 4-star hotels, three are 5-star hotels and the remaining 14 do not have an available rating. As we can see, there is a clear shortage of four and five stars hotels and from these 50 hotels, only five belong to Portuguese chains *(More information in App. 15).*

Table 3: Supply of hotels in Luanda in 2012

Guesthouses	Apartment Hotels	1* Hotels	2* Hotels	3* Hotels	4* Hotels	5* Hotels	N/A
21	2	3	7	15	8	3	14

Secondly, I tried to find what changes this table will suffer until 2015-16. As such, in the table below are shown the hotels that will exist in Luanda in the next three to four years according to their rating. The number of hotels will increase from 50 to 70 hotels in the Angolan capital. The segment with the strongest growth seems to be the luxury segment. As we can see, Luanda that in 2012 only has three five-star hotels will have 12 in 2015-16. International competitors will definitely be fiercer in the next years: eight of the new hotels in Luanda are internationally renowned hotel chains like Radisson, InterContinental or Starwood. It is also worth mentioning, that some projects for the next years are still in an initial study phase and some might not have had its project approved but until information was found in contrary, I assumed projects were still going to happen. **Another interesting fact is the non-existence of Upscale Apartment Hotels**. From the two existing, one is three-star and the other is one or two-star *(More information in App.16).*

Table 4: Luanda prospective supply of hotels in 2012-2016

Guesthouses	Apartment Hotels	1* Hotels	2* Hotels	3* Hotels	4* Hotels	5* Hotels	N/A
21	2	3	7	19	10	12	19

4 and 5-star and apartment hotels are Altis's core business and it is on this segment that this brand has been built. Deviating much from this segment does not seem like a good strategic choice for the company. From now on, we will only analyze the apartment hotels and above 3-star hotels segment included. According to the Plano Director do Turismo (2011), the domestic tourism represents two thirds of the country's tourism that is why the priority in this plan is to focus on the domestic tourism. These two thirds represent the Angolan upper middle class who is slowly but strongly boosting in the country. However, the arrivals in hotel facilities in the country show us that these Angolans travelling in the country might use guesthouses instead of hotels[xxvi]. In the years 2007 and 2008, 75 761 foreigners arrived at hotels in the country while only 28 432 Angolans residents did so. On the other hand, 95 602 Angolan residents checked-in in guesthouses while only 35 782 foreigners did so. As we can see, Altis's primary focus would be on foreigners because these are the biggest users of hotels in the country. The three top nationalities entering the country in 2008 were Portuguese (53 658), Chinese (43 035) and Brazilian (35 231). **As said before, the high entrances of Portuguese in the country provides Altis an enormous advantage**. If we take a look at fees in Luanda Hotels, according to Proprime, an Angolan company working as a real-estate consultant and evaluator, the average price in a 5-star hotel in Luanda is around 500 USD, in a 4-star hotel is around 430 USD and in 3-star hotel is around 280 USD. As we can see there are many small business travelers from these three top countries that cannot afford to stay in 4 and 5-star hotels due to these very high rates. In addition, the MINHOTUR as stated that the country needs more one, two and three-star hotels for the middle class customer. Given this, the three-star segment might be an interesting segment for Altis to exploit. However, we should take into account that, according to my research there are already 15 three-star hotels and four are yet to come

in the next two years. As a second option, we have the four-star hotels segment. As we can see, there are now eight of these and two more will open in the next years. Four of the existing hotels are local and another four are Portuguese. According to my research, the only internationally renowned hotel chain entering in this segment is the Rezidor Group with a Radisson Blu Hotel opening in 2014. This also seems very appealing to Altis because competition does not seem to be fierce and the company already has core competences built in this segment. Looking at the five-star hotel segment, we can see that it is the segment with the greatest growth: from three hotels we will have 12 five-star hotels. Once again, this segment is very familiar to Altis and so mere adaptations will be necessary. In this case, competition from renowned hotel chains is much stronger. Thus far, we have InterContinental, Hilton and Starwood with projects to enter the country but also Angolan and Portuguese hotel chains opening. This is also very appealing to Altis because five-star hotels have higher daily profitability. If Altis would be able to price under competition, it would gather more customers mitigating the threat of new entrants. However, a five star-hotel also requires a higher investment in decoration and training for instance. Finally, the Apartment Hotel segment can present as a very wise choice. Once again, managing Apartment Hotels is not something new to Altis but also competition is almost non-existent. So far, there are already two apartment hotels in Luanda one of them being a three-star apartment hotel and the other having a lower rating. If Altis replicated Altis Prime there would not be close competitors. If we take a look at the main motives from foreigners to enter the country in 2010 from MINHOTUR, we can see that the first are service providers with 44% of visits, then we have leisure with 30% and finally business travelers with 26%. **As a result, 70% of people entering the country do it for work-related matters and many end up staying longer than usual**. Many consultancy or lawyers firms send their employees to take care of projects that usually take weeks or months. Altis could focus on this niche market because as we can see they represent more than half of the people entering the country. Because average stays in Apartment Hotels are higher than in other facilities, profitability is also higher. It also seems that with this option Altis would have more room to grow due to the fact that most certainly more service providers will enter the country. Moreover, not only is this service very innovative in Luanda but it may also be very appreciated because people that have to stay longer in the city will prefer to stay in an **Apartment Hotel** instead of renting an apartment for security reasons. With this option, visitors staying longer than usual can stay in an apartment with all the facilities that a hotel has to offer. With this option, Altis could also attract the business travelers that can't afford to stay in a five-star hotel.

8. Analysis of the Mode of Entry

A detailed analysis for each mode of entry was done and can be found in App. 17. Given that the most suitable choice for Altis is a management contract, this is where we will be focusing from now on. Management contracts are often used by hotel chains like Hilton Worldwide or InterContinental Hotels Group to expand internationally, representing 37% of total foreign hotel arrangements in a study of foreign entry mode chosen by hotels Contractor and Kundu, (1998). In this case, we have a hotel owner such as real estate developers, funds or financial institutions and a hotel operator entitled to manage the property. Because there is little equity invested, the risk for the company is reduced if we compare to ownership or joint-venture. If for example a political crisis occurs, the company can quickly leave the country without having suffered tremendous financial losses[xxvii]. The legal framework also cannot be ignored. Angola has been implementing an "Angolanization" policy especially in the private investment area. The existing legal framework establishes the principle of preferential treatment towards Angolan businessmen in order to consolidate and strengthen the participation of Angolan citizens and Angolan companies (those in which at least 51% of the share capital is held by Angolan citizens) in the ownership and management of national wealth. Moreover, the above mentioned percentage of 70% national workers and 30% foreigners has to be followed except if it can be proved that there are no Angolan citizens capable of performing that activity. The Public Procurement Act also establishes also a preemptive right in favor of Angolan citizens and companies for the purposes of admission, qualification and selection within the tendering procedures therein. As incentives to Angolan entrepreneurship, the Government establishes fiscal incentives, financial and technical support and rights, privileges and special asset guarantees. Given the above, it is clear that the participation of an Angolan partner in any local structure is a highly valuable asset. The participation of the Angolan partner can be less that 51%, but in that case, no incentives are granted to Altis. Altis has to weight the ownership advantages of having a stronger Angolan partner over having a greater position in the partnership. Finally, given all this information, it seems that the **best option for Altis would be to create a company with an Angolan partner and this company would establish a management contract with a construction company or an investor** in which the former would manage the hotel's operations and the latter would own the hotel. In this case, Altis can have a better control than in licensing or franchising but it does not imply an investment as big as it is required in the Greenfield Investment or by acquiring a local hotel or a local hotel chain. Moreover, fees are previously agreed by both parties in the contract and tend to range from 1,5 to 4% for luxury hotels as a base plus a 15% incentive fee for the management company[xxviii].

9. Proposal of Implementation Plan

9.1 Marketing Strategy

Product: Given all that was argued above, we can say that Altis's best option is to **replicate its Apartment Hotel Altis Prime.** Even though these are small apartments, they are still usually bigger than ordinary hotel rooms. As such, this Apartment Hotel should have at least 80 apartments, because it has been proved that Luanda hotels are operating in a region of increasing economies of scale[xxix]. Altis Prime in Lisbon has four different type of apartments: a 36 square meter Studio, a 50 square meter Superior Suite and a Deluxe Suite all of which can have two people in maximum and a Premium Suite where in maximum four people can stay. Because we know that Luanda has not yet leisure tourism, people that visit the city are not exactly doing tourism with their families: they are coming to Luanda for work-related matters and travel with co-workers or alone. Because of this, probably they will prefer to stay in single or double rooms that in a Premium Suite that has too many rooms and is too expensive. As such, our Apartment Hotel will only have Studios, Superior Suites and Deluxe Suites for a maximum of two people each. Because of the reasons noted above, conference rooms, a lobby with beverage service and one "à la carte" restaurant" cannot be forgotten.

Price: As mentioned above, daily rates in Luanda hotels are very expensive. One of the main reasons for this is the mismatch between demand and supply. The 90% occupancy rates seen in many hotels reflect the scarcity of rooms in the city. Moreover, the high operating costs also force hotel operators to charge higher prices. If we take a look at the three-star Apartment Hotel of Luanda, Aparthotel Tropicana they also have three types of apartments: the classic, the superior and the deluxe and each room has a single or double tariff. Below are the prices charged by Aparthotel Tropicana.

Table 5: Aparthotel Tropicana Tariffs

Aparthotel Tropicana	For one person	For two people
Classic apartment	USD 310	USD 350
Superior Apartment	USD 350	USD 390
Deluxe Apartment	USD 395	USD 420

Source: http://www.hoteltropicanaluanda.com/

Given that our Hotel will have a better rating and will provide a better service than the existing hotel of apartments, it makes sense to charge a price slightly higher than Aparthotel Tropicana. However, because we are implementing a four-star apartment hotel, we also have to take in consideration the price charged by four-star hotels. Below are the prices charged by four-star hotels.

Table 6: Main four-star hotels tariffs

	Single	Double	Suites
Hotel Baía	USD 420 or USD 470	USD 470 or USD 520 or USD 590	USD 765
Hotel Alvalade	USD 407	USD 456	USD 765
Hotel Trópico	USD 382	USD 427	USD 825
Praia Mar Hotel	USD 380	USD 395	USD 750
Skyna Hotel	USD 382	USD 412	USD 804
Hotel Presidente	USD 295	USD 335	
Aldeamento Calor Tropical	USD 230	USD 230	USD 300

Source: http://www.hoteisangola.com; http://www.booking.com

As we can see, all hotels charge slightly the same prices, except for the Aldeamento Calor Tropical which charges a lower price. The main reason for this is that this hotel is the only one located a bit far from the city center. Because we want to have our hotel in the city center, we will not consider the prices charged by Aldeamento Calor Tropical from now on. I believe **Altis should use Aparthotel Tropicana model, charging a different price for each apartment** (Studio, Superior Suite and Deluxe Suite) and depending on the number of people in the apartment. Accordingly, the Studio would be the cheapest apartment, followed by the Superior Suite and finally by the Deluxe Suite. Given that we are offering four-star apartments, we can say that we are sort of providing a better product than ordinary four-star hotels because not only we assure quality as much as the others but we are also making our guest feel at home in a more spacious and cosy setting. By this, we do not mean that we will charge a higher price than four-star hotels; instead**, the best option would be to charge a price that is higher than in Aparthotel Tropicana but lower or equal than the four-star hotels in the center of the city.**

Place: Apart from Aldeamento Calor Tropical, all hotels mentioned above are at most five kilometers away from the city center. This is indeed the most prestigious área of Luanda, close to Luanda bay and in the heart of the city's financial center. As such, I believe that Altis should try to position itself in this axis, around three or four kilometers from the city center.

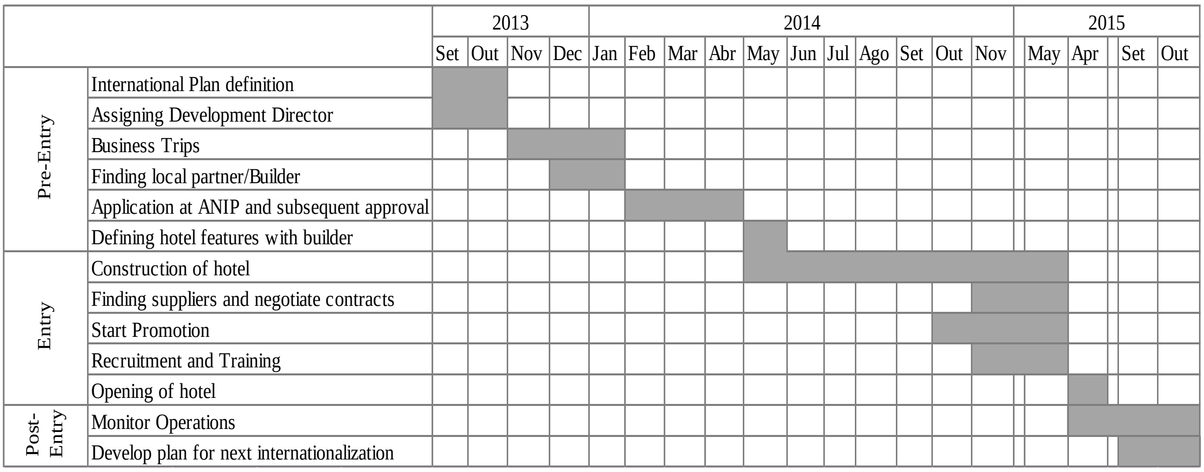
Promotion: As to what regards promotion, Altis can benefit from an established network with travel agencies and tour operators. Given that the three top nationalities entering the country are Portuguese, Brazilian and Chinese, Altis could target these markets by establishing contacts with tour operators and travel agencies in these countries. From these three nationalities, Portuguese top the chart which is also an advantage to Altis because these are already familiar with the brand. Given that the company already has established agreements with e-booking websites, they just have to add this new hotel to the portfolio and negotiate a new agreement. Soft brands like Great Hotels of the World or Preferred could also be channels used to promote the hotel. The presence of Altis in fairs like BITUR that happened in Luanda to promote tourism in the country is very important to create brand awareness. Finally, it would also be important if Altis could establish relationships with companies that send expatriates to Luanda on a regular basis.

9.2 4 M's

Men: According to Harrison and Enz, 2005, first of all, a development director is necessary if an international expansion is wished. This person would be entitled to develop a strategic plan for the geographic area of choice, establish a network of contacts on location, sell the brand and assist potential franchisees. As such, this person would be entitled to perform these activities every time the company decides to expand internationally so it is definitely a valuable asset. As mentioned before, Angola is not exactly known for having high skilled labor in the hospitality industry. **A lot of training for lower-level employees will be necessary.** As Altis told us, in such a situation, a multidisciplinary team would have to sent abroad to train employees according to the operational standards of Altis. The director of the hotel is also recommended to be an expatriate from Portugal because it is a very important task and should be done by someone familiar with the company. In addition, some operational functions of customer service would have to be concentrated in Angola such as IT, HR, procurement, maintenance, marketing and sales and hospitality operations. Given the desired dimension of the hotel, a staff of at least 60 employees will be needed.

Money: As mentioned before, Altis is not in a very favorable position with regards to financial liquidity. As such, a contract management will be made with a construction company or a private investor in which Altis would manage the operations and the other party will be the owner. In such a situation, the investment will be made by the owner and all costs will be supported by him. Altis's costs will only be related to the operations of the hotel like staff, procurement, and maintenance among others.

Minute: Because Internationalization in Brazil is also on the table and this needs to happen before the 2014 FIFA World Cup, the International Plan Definition of Altis will only start in September 2013.



Memo:

	Objectives	Measurement	Target	Initiative
Financial	Higher profits and high occupancy rates	AOR, ARR, revPAR	AOR above 80%	Reinforce relationship with TAP, tour operators (particularly for longer stays) and create relationship with enterprises that send employees to Angola
Customer	Offer an innovative product	Satisfaction: questionnaires, referrals and comments on Booking and Tripadvisor	100% satisfaction	Training and good infrastructure
Internal	Design a 4* Apartment Hotel at the least cost	Compare with cost in Lisbon and see what has to be adapted	Margin above 30% and little below 4* hotels in Luanda	Define price according to desirable mark up
Learning	Gain international reputation and transfer learning from the experience in Lisbon	Implement training program	Higher satisfaction of clients and saving in costs	Program of training and establishment of network of suppliers

In this table can be seen Altis objectives with this internationalization in four dimensions: Financial, Customer, Internal and Learning. For each objective, Measures Targets and Initiatives in order to attain it were defined.

10. Conclusions and Recommendations

Given all the information above presented, it seems that Altis could definitely benefit from this new venture in Angola. One might say that the so-called problems of the resource curse (inflation, currency appreciation, income inequality and a homogenized economy) will make it difficult in financial terms for domestic or international businesses other than in the oil industry to flourish in the country[xxx]. Nevertheless**, the entry strategy proposed, Contract Management**, undermines this problem as the investment required to start the business is made by the owner of the hotel and not by Altis. In order to succeed abroad, some issues have to be carefully thought through, mainly finding the right local partner and suppliers. In addition, providing the proper training is also a very important matter as the population in this sector is not very qualified. Finally, even though it seems that this entry should be done as soon as possible because competition will get fiercer, I believe that there should be a restructuring in the company before internationalization. As Kaplan and Norton noted, “breakdowns in a company’s management system, not managers’ lack of ability or effort, are what cause a company’s underperformance”. As of now, the company has no vision, mission or core values and some objectives are defined but not in terms of the value chain. As such, it might be important for Altis to follow a closed-loop management system proposed by the authors with five stages that links strategy with operations: developing strategy, translating the strategy, planning operations, monitoring and learning and finally testing and adapting the strategy. By doing this, not only they can perform better in the internal market but also define procedures and guidelines that can be standardized for all three internationalization plans that are on the table. Recently, the group made a commercial partnership with Amorim Turismo in order to increase its commercial synergies. Given that Amorim Turismo is focused on resorts, Altis can benefit from this partnership further ahead as the Angolan government established four areas of touristic development outside Luanda. These areas are Futungo de Belas, Kalandula, Cabo Ledo and Bacia do Okavango.

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